Monon Route Seeks Help in Bankruptcy

CPD 12-31-33

CHICAGO, Dec. 30.—(AP)—Federal Judge James H. Wilkerson today authorized the Chicago, Indianapolis & Louisville Railway (Monon Route) to file a petition in bankruptcy under the new federal bankruptcy act.

The railroad operates 647 miles of line from Chicago southward over two routes crossing at Monon, Ind., and terminating at Louisville and Cincinnati.

It is the third carrier to come into Chicago Federal Court seeking opportunity to reorganize under the protection of the bankruptcy act. The Chicago, Rock Island & Pacific and the Chicago & Eastern Illinois Railways already are in process of reorganization.

Inability to meet Jan. 1 interest requirements of $515,000 was given as the reason for the petition.

Other railroads that have taken bankruptcy shelter from financial storms in courts this year are the Akron, Canton & Youngstown; the Minarets & Western, and the Missouri Pacific and its subsidiary lines, the New Orleans, Texas & Mexico and the International Great Northern.

WSJ 1-2-35

Chic., Indianapolis & Louisville, Ry.

	1934	1933	1932
November gross ..	$578,008	$618,352	$616,901
Net oper deficit...	38,101	*7,456	*35,299
11 months gross..	6,808,635	6,653,134	7,301,553
Net oper deficit...	368,926	58,894	212,782

*Income.

Tentative Monon Plan Of Reorganization Discussed at Meeting

President Currie Estimates Road Would Earn About $800,000 in 1937 Under Proposal

WSJ 11-24-36

The management's proposed plan of reorganization for Chicago, Indianapolis & Louisville Railway was submitted for discussion by holders of the road's first and general mortgage bonds of 1966 at a meeting yesterday.

Outstanding features of the plan include:

Scaling down of fixed interest charges to $196,000 from $1,520,000, and substitution of contingent interest charges of $1,059,000.

Leaving equipment trust maturities amounting to $723,000 undisturbed.

Payment of all accumulated interest on the various securities in debenture bonds, preferred and common stock, but scaling the rate of interest down to 3% except where the contract rate was less than 3%.

Eliminating the present second mortgage bonds (first and generals of 1966), fixed income position by payment in the new preferred stock.

Payment of present first mortgage bonds (refunding mortgage bonds of 1947) and Indianapolis & Louisville 4s of 1956 with 25% new first mortgage fixed income bonds and 75% in new second mortgage contingent income bonds.

Retention of control of the Monon by Southern Railway and Louisville & Nashville Railroad through common stock.

Plan Only Tentative

In discussing the management's proposed plan, H. R. Kurrie, president of the road, stressed the tentative nature of the plan, stating that the endeavor had been to get something down on paper to form a basis of discussion by the various security holders.

To questions criticizing a proposal to create a new open-end first mortgage bond bearing fixed interest of 4% to be offered publicly, as necessary, for additions and betterments, Mr. Kurrie pointed out that in all likelihood such issuance would only be resorted to in cases where it could be clearly ascertained that the additional financing would result in savings and the consequent enhancement of the earnings' position of the other securities. Under the plan, it is proposed to sell $1,000,000 of this issue initially.

Mr. Kurrie estimated that were the proposed plan in effect, income after fixed charges for 1936 would be about $400,000. For 1937, assuming a 10% increase in gross, he estimated income after fixed charges would be about $800,000. He said that gross so far this year was running about 30% ahead of last year. He added that had the proposed plan been in effect during the depression, the Monon would not have gone into bankruptcy.

Under the proposed plan, securities to be outstanding would be $1,000,000 first mortgage Series A 4% fixed interest bonds, to be sold publicly to raise funds for completion of reorganization and to supply working capital; $4,043,000 first moregage Series B 3% fixed interest bonds to be exchanged for some of the existing securities; as second mortgage issue of $12,128,000 4% contingent interest bonds; $1,455,000 3% income debentures; $10,858,000 4% non-cumulative preferred (par $100), and $11,721,000 of common stock with a stated value of $50 par share.

Would Remain Undisturbed

The existing $723,000 of equipment trust certificates would remain undisturbed under the plan. The existing $14,998,000 refunding mortgage bonds of 1947 and the Indianapolis & Louisville first mortgage 4s of 1956 would receive 25% of principal amount in new first mortgage series B bonds and 75% in second mortgage contingent interest bonds, plus income debentures to cover accrued interest at 3%.

The first and general mortgage bonds of 1966 would receive 100% of principal amount in new preferred stock, plus preferred stock to cover accrued interest at 3%.

The existing $100 par preferred stock would receive two shares of new common stock for each share of preferred and the existing $100 common stock would receive one share of new $50 par common stock for each share of present stock.

Exchange of Notes

The Monon notes now held by Chase National Bank and the Railroad Credit Corp. would be exchanged for new 10-year notes dated July 1, 1936, bearing 4% contingent interest. The overdue interest on such notes, calculated at 3%, except where the contract rate is less, would be paid in preferred stock.

The Louisville & Nashville-Southern Railway notes amounting to $1,170,000 would be paid 100% in new common, and accrued interest of $267,000 would receive 58% payment in new common.

Date for filing a reorganization plan with the federal court for the Northern District of Illinois was recently extended by the court to February 27, 1937. The management's proposed plan would become effective as of July 1, 1936.

Considerable Modification in Monon's Proposed Reorganization Plan Likely Before Final Submission to Illinois Court

WSJ-12-16-36

Considerable modification of the management's proposed reorganization plan for Chicago, Indianapolis & Louisville Railway likely is to be made before final submission of a plan to the Illinois Federal Court on or before February 27.

Although no formal recommendations have been made yet by the various bondholders' committees, discussions are taking place with the view of isolating features to present to the management for modification. The general feeling seems to be that the management will be receptive to these suggestions and the hope is entertained that agreement can be reached so that it will be unnecessary to file a dissenting plan with the court.

That the management regards its own plan as tentative was clearly indicated by H. R. Kurrie, president of the "Monon", when he said, upon presentation of the plan at a recent meeting of holders of first and general mortgage bonds, 1966, that the endeavor had been to get something down on paper to serve as a basis of discussion.

Proposed Treatment for Securities

The accompanying table lists the proposed treatment for the various classes of securities. Securities outstanding after adoption of the plan would be equipment trust certificates; first mortgage fixed interest series A 4% bonds and series B 3% bonds; second mortgage contingent interest 3% bonds; 3% income debentures; 4% non-cumulative preferred and common.

Such a capital structure is regarded by some bondholders as too complicated for a road like Monon. They question the need for two classes of contingent interest bonds and point out that more security classifications are provided for than at present.

Critisism is leveled at a provision of the plan to create two series of first mortgage bonds, one to be sold publicly to raise funds for reorganization expense, the other to be given present first mortgage bondholders in partial exchange. It is felt that money for such purposes might better be obtained by assessment on junior securities. Assuming that first mortgage bonds are sold, however, others criticise the open-end provision, allowing for additional issuance and sale of these bonds from time to time for general corporate purposes.

Other Provisions Under Discussion

Other provisions around which discussion of the plan centers are:

Size of sinking fund payment for new first mortgage bonds; provision to set aside 3% of gross for additions and betterments and equipment trust maturities; the priority of the foregoing charges ahead of other contingent interest charges.

Tentative limitation of interest rate to 3% on all bonds but the series A's, thereby possibly limiting the marketability of these bonds; calculation of accumulated unpaid interest on present bonds at a uniform 3% rate, regardless of stipulated coupon rates; possibility of securing better treatment for Indianapolis & Louisville 4s, 1956, in view of the fact that traffic on this branch, the Monon's only entrance to the Indiana coal fields, has held up better than most other traffic.

Fixed charges under the plan would be scaled drastically to around $193,000, or $243,000 if $1,000,000 Series A bonds are issued, from more than $1,520,000 previously. Contingent interest charges would be $1,347,000.

From 1921 to 1925, earnings available for charges, after rent for leased roads, averaged $2,228,144 a year; from 1926 to 1929, $2,857,798; from 1930 to 1935, $300,811. Mr. Kurrie has estimated the road will have $400,000 available for charges in 1936 and $800,000 in 1937.

ADJUSTED BALANCE SHEET

A condensed balance sheet as of June 30, 1936, adjusted to reflect the management plan of reorganization effective July 1, 1936, if the proposal is adopted, follows:

	Before Reorganization June 30, '36	After Reorganization July 1, '36
Assets:		
INVESTMENTS:		
Road, equip. and other prop.	$51,684,742	$51,684,742
Affiliated companies	2,232,174	2,232,174
Other investments	26,712	26,712
	$53,943,630	$53,943,630
Current Assets:		
Cash	$652,414	$1,652,414
Other current assets	1,178,664	1,178,664
	$1,831,079	$2,831,079
Deferred Assets:	$27,521	$27,521
Unadjusted Debits:	$641,594	$641,594
	$56,443,824	$57,443,824
Liabilities:		
STOCK:		
Pfd. (par value $100 per share)	$4,991,300	$10,857,700
Com. (old stock par value $100 per share. New no par stock stated at $50 per share)	10,497,000	11,721,350
	$15,488,300	$22,579,050
LONG TERM DEBT:		
Refunding mtge bonds	$14,998,000	......
First and general mtge. bonds	9,901,000	......
I. & L. RR. first mtge. bonds	1,172,000	......
Equipment trust obligations	723,186	$723,186
Debt to affiliated companies	20,042	20,042
First mtge., series "A" bonds	......	1,000,000
First mtge., series "B" bonds	......	4,042,500
Second mtge., income bonds	......	12,127,500
Debentures	......	1,455,300
Notes	......	2,399,913
	$26,814,228	$21,768,442
CURRENT LIABILITIES:		
Loans and bills payable	$3,570,272	......
Interest matured unpaid	4,287,789	$4,190
Unmatured interest accrued	66,219	5,187
Other current liabilities	1,879,208	1,879,208
	$9,803,490	$1,888,586
DEFERRED LIABILITIES:	$128,637	$128,637
UNADJUSTED CREDITS:		
Depreciation reserve	$6,498,641	$6,498,641
Other reserves	364,652	364,652
Premium on funded debt	18,596	......
Other unadjusted credits	749,518	749,518
	$7,631,407	$7,612,811
SURPLUS:	$Dr.3,422,239	$3,466,297
	$56,443,824	$57,443,824

As listed in the foregoing balance sheet, the first mortgage Series A bonds would be sold publicly to raise cash. The Series B bonds would have identical mortgage position. All bonds would have a 50-year maturity to run from July 1, 1936, the proposed effective date of the plan. The Series A bonds would probably bear 4% interest, while the Bs and junior securities would probably bear 3% interest.

Treatment which would be accorded the various Monon securities under the management's proposed reorganization plan follows (000 omitted):

	Outstanding —June 30, 1936— Principal	Interest	To be received, as of July 1, 1936 — On account of principal — 1st mtg. bonds	2nd mtg. bonds	Pfd. par $100	Common stated value $50	On account of interest — 3% debenture bonds	Pfd. par $100	Common stated value $50
Equipment Trust ctfs.	$723	....	Undisturbed	....	....	....	....	....	....
Indianapolis & L'ville 4s, '56	1,172	$140	25%	75%	....	....	....	....	....
Refunding mortgage 6s, '47	4,700	846	25%	75%	....	....	75%	....	....
" " 5s, '47	4,998	749	25%	75%	....	....	50%	....	....
" " 4s, '47	5,300	636	25%	75%	....	....	60%	....	....
First & gen'l mtg. 5s, '66	5,909	789	....	....	100%	....	75%	....	....
" " " " 6s, '66	3,992	719	....	....	100%	....	....	60%	....
Chase National Bank notes.	750	118	Exchanged for 10 year			....	....	50%	....
Railroad Credit Corp. notes.	1,650	65	4% income notes			....	....	57%	....
L. & N.-Southern Ry. notes.	1,170	267	....	....	....	....	....	100%	....
Preferred stock, $100 par	4,991	....	....	....	....	100%	....	....	58%
Common stock, $100 par	10,497	....	....	....	....	100%	....		
[illegible]						50%			

$319,565 Fixed Charges Set in Reorganization Plan Filed by Monon

Chicago, Indianapolis & Louisville Railway States Current Earnings Will Cover Requirements

M&G 5-28-37

WASHINGTON—Chicago, Indianapolis & Louisville Railway Wednesday filed with the U. S. District Court in Chicago and with the ICC at Washington a plan of reorganization, providing for fixed charges of only $319,565 as compared with current charges of $1,622,830.

The plan provides total annual fixed and contingent charges of $1,792,540, which the company said can be met adequately if gross earnings are restored to pre-depression levels. In the years 1930 to 1936, the road had average earnings available for charges of $374,640 before rents for leased roads. The current earnings of the property, without an increase in traffic, will enable the road to meet the fixed charges under the plan, it was stated.

Private Negotiations Indicated

Apparently the management and protective committees have done some private negotiating since last December when a tentative reorganization plan was put forth by the debtor as a "basis for discussion." Yesterday's plan contrasts with fixed charges of only $193,000 and contingent charges of $1,347,000, totaling $1,540,000, which were proposed in the original unofficial plan.

Under the terms of the plan filed, equipment obligations are to remain undisturbed. There is to be exchanged, for each $1,000 face amount of Indianapolis & Louisville refunding bonds and Indiana Stone Railroad Co. bonds, $250 par value of new first mortgage 3½% bonds and $750 par value of second mortgage 4¼% noncumulative income bonds.

The $253,000 of Indiana Stone Railroad bonds and $478,000 of Indianapolis and Louisville Railway Co. bonds, now pledged as security for the first and general mortgage bonds, are to be exchanged for new first mortgage bonds and second mortgage income bonds on the same basis as the Indianapolis & Louisville refunding bonds outstanding in the hands of the public are exchanged.

Non-Cumulative Income Debentures

Overdue interest on the outstanding refunding bonds and the $1,172,000 Indianapolis & Louisville bonds outstanding would be liquidated by the issuance of non-cumulative income debentures bearing 3% interest.

There would be issued also 4% preferred stock of $100 per share to the holders of all first and general mortgage bonds, including the bonds pledged with the Chase National Bank and the Railroad Credit Corp., to the extent of 10 shares of stock for each $1,000 bond.

There are outstanding in the hands of the public $9,901,000 of the first and general mortgage bonds, which constitute a second lien on the property covered by the refunding mortgage.

The present outstanding preferred stock would be exchanged for no par common stock on the basis of 2 shares of new common for each share of old preferred. The present outstanding common stock would be exchanged for the same new no par common stock on a share for share basis.

The outstanding refunding mortgage bonds now consist of three series totaling $14,998,000, on which there was accumulated interest on July 1, 1936, of $2,231,700. The Indianapolis & Louisville first mortgage bonds are outstanding in the amount of $1,172,000, and unpaid interest to July 1, 1936, amounted to $140,640. Unpaid interest on the first and general bonds to July 1, 1936, totaled $1,506,426.

Consummation of the plan would leave Southern Railway and Louisville & Nashville Railroad with approximately 52.8% of all of the new stock. These companies on July 1, 1936, owned 88.3% of Monon's stock. It is important to all security holders, it was stated, to retain the investment interest and control of these two carriers in the debtor because of the value of their assistance in securing traffic.

Four Notes Given to L. & N.

Other indebtedness of the Monon includes four notes given to the L. & N. totaling $585,180, on which there is accumulated unpaid interest of $133,529. The road also is indebted to L. & N. in the amount of $133,940, representing an advance to the Railroad Credit Corp. against the note obligation of Monon to RCC. The overdue interest to June 30 on this debt amounted to $16,067.

Monon also has outstanding four notes given to Southern Railway aggregating $590,180, with overdue interest of $133,529.

Other notes given for borrowed money include one to the Chase National Bank for $750,000, having unpaid interest due on July 1, 1936 of $118,000, and a series of notes to the RCC totaling $1,649,913.

The notes of the Monon now held by Chase National Bank and RCC are to be exchanged for new notes bearing 4% interest. The road would be obligated to pay interest only to the extent earned and available for such purposes. The notes held by L. & N. and Southern Railway would be liquidated by new common stock, and the unpaid interest calculated at 3% to June 30, 1936.

Two Series of Mortgage Bonds

The new first mortgage bonds, which would constitute a first lien on all of the property, would consist of two series, A and B. The series A bonds would be issued in refundment of outstanding securities, while the B bonds are to be used primarily to pay indebtedness assumed by the company by the plan, and the expense of reorganization. Additional bonds of this series may be issued from time to time for additions and betterments, including the purchase of new equipment or to reimburse the company's treasury for such expenditures.

The new second mortgage bonds would be limited to an amount equal to 75% of the refunding bonds and the Indiana Stone Railroad bonds.

The present corporation would be retained, but its charter would be amended so as to give full authority to a board of 11 directors to carry out the terms of the plan.

Present capital stock of the road consists of $10,497,000 of common stock, consisting of 104,970 shares of $100 par each, and $4,991,300 preferred stock consisting of 49,913 shares of $100 par each, a total capital stock of $15,488,300. On July 1, 1936, L. & N. owned 19,367 shares of preferred and 49,014 shares of common, while on that date the Southern Railway owned 19,367 shares of preferred and 49,030 shares of common.

ICC Told L. & N., Southern Aid To Monon Slight

Carrier Has Not Benefited Materially From Their Joint Control, Witnesses State

Say Independent Operation Safe

2-11-38

From THE WALL STREET JOURNAL *Washington Bureau*

WASHINGTON—The Chicago, Indianapolis & Louisville Railway has not benefited materially from its joint control by the Southern and Louisville & Nashville, and independent operation of the property would not appreciably hurt its business, the Interstate Commerce Commission was told yesterday.

Testifying at hearings continued on reorganization plans for the Monon, witnesses for the protective committee for the road's first and refunding bonds, criticized the Southern and L. & N. for not according the Monon preferential treatment in the interchange of traffic.

J. S. Pyeatt, president of the Denver & Rio Grande Western Railroad, who made a study of the Monon for the committee, submitted a report in which he stated that the Monon "is controlled by two of the largest and strongest railroad systems in the South, neither of which appear to indicate by an open policy of preferential solicitation, advertising maps or otherwise that it is their owned or preferred route between the Ohio River and Chicago."

Urges Greater Recognition of Route

"The present equity owners," he declared, "should be induced to recognize this line more frankly and fully as their route between the Ohio River and Chicago, and support it accordingly by preferential solicitation of competitive traffic to the fullest extent practicable and by the operation of through freight and passenger schedules equal to other routes. While there are problems arising out of the highly competitive situation of the two owning systems, they can and should be solved by mutual understandings and arrangements that will permit the helpful cooperation of the three traffic departments to the end that maximum traffic will be controlled for the Monon in connection with its owners."

The refunding committee, of which Alfred M. Meyers, New York, is chairman, has submitted a plan for reorganizing the Monon under which the present stockholders would be assessed if allowed to participate in the distribution of new securities.

Southern and L. & N. together now own about 77 % of the Monon's preferred stock, 93% of its common stock, and nearly all of its unsecured obligations.

Attitude of Hostility a Factor

Benjamin Campbell, former traffic vice president of the New Haven who made a traffic study of the Monon for the Meyers committee, told the commission that the interchange of traffic between the Monon and its joint owners would not be very seriously affected unless there were a definite attitude of hostility on the part of the L. & N. and Southern. He expressed the belief that if the two carriers took definite steps to increase their deliveries to the Monon that their other northern connections would have no legitimate ground for complaint or retaliation.

"In the event of independence of the Monon," said Mr. Campbell, "it, the Monon, would undoubtedly continue to deliver its traffic for southern territory to the L. & N. and Southern which is substantial in amount. In 1936 the southern lines' earnings on traffic received from the Monon were $1,492,353 or about 40% of the amount earned by the Monon on traffic it received from the two southern lines in that year. These facts should serve to influence impartial treatment of the Monon by the two southern lines in the event of Monon independence."

Recommends $2,361,000 Improvement Program

In his report, Mr. Pyeatt recommended a $2,361,000 improvement program, in addition to expenditures for making up deferred maintenance, which he found to be about $1,145,000. These programs should be carried out by 1942, he recommended, with the bulk of the expenditures being made in 1938 and 1939.

After completion of recommended improvements and certain operating changes, he estimated earnings and expenses of a normal year's traffic, assumed to be attained some time between 1939 and 1940, would be as follows:

Total gross revenues, $14,193,000; operating expenses, $10,255,000; net operating income, $1,813,000, and income available for charges, $1,900,000.

MONON PLAN SEEKS TO UNSEAT CONTROL

I.C.C. Examiner Recommends Proposal to Wipe Out Interests of Southern and L.&N.

8-5-38

Special to THE NEW YORK TIMES.

WASHINGTON, Aug. 4.—A plan for the reorganization of the Chicago, Indianapolis & Louisville Railroad Company, better known as the Monon, which virtually would strip the Southern and the Louisville & Nashville roads of their control of the Monon was recommended today to the Interstate Commerce Commission in a report submitted by Milo H. Brinkley, I. C. C. examiner.

The railroad filed a petition in bankruptcy in December, 1933, and since then committees for security holders and the road have been working on plans for reorganization.

"With average annual railway operating revenues of $13,709,641 from 1922 to 1937, inclusive," the report said, "the evidence does not afford any good basis for the expectation that revenues in a future average year would be in excess of that amount and they might be less. If operating revenues of $13,500,000 are estimated for a normal year, this should produce $1,708,000 available for interest after payment of Federal income taxes."

Figuring a capitalized value at 5 per cent on these earnings, the examiner said the capitalization of the reorganized company should be limited to $34,000,000.

Eliminating the claims of the Louisville & Nashville and the Southern, as well as the claims of general creditors and of holders of preferred and common stock, the total claims against the company amount to $36,225,268 for principal and interest. This amount, the examiner said, was more than $2,000,000 in excess of the capitalization of earnings on a reasonable basis and he added the following conclusion:

"From the foregoing considerations and all other relevant facts the commission should find that the claims of the Louisville & Nashville and the Southern with respect to notes held by them, the claims of general creditors and the equities in the debtor's preferred and common stock are without value, and that the holders of these claims and interests should not be permitted to participate in the distribution of the new securities."

Control over the Monon was exercised by the two roads through the ownership by each of $4,902,450, par value, or 46.7 per cent, of the common stock and $1,936,700, par value, or 38.8 per cent, of the preferred stock.

Under the new capital structure the examiner recommended that the notes held by the Louisville & Nashville and the Southern, the claims of general creditors, and the preferred and common stock of the debtor should be canceled.

Under this plan the fixed interest charges would amount to about $56,000 in the first year and contingent interest charges will be $724,460 a year.

Monon Reorganization Plan Filed With ICC And U. S. District Court

Provides for New Capitalization With Bonds, Preferred and Common by July 1, 1938

WSJ 1-17-38

A plan for reorganization of the Chicago, Indianapolis & Louisville Railway Co. has been filed with the ICC and with the United States District Court for the Northern District of Illinois by the Protective Committee for Debtor's Refunding Mortgage Gold Bonds. The plan, which it is proposed to make effective on July 1, 1938, provides for a capitalization of $4,024,780 of fixed 4s, $16,099,120 income 5s, $11,988,621 of $5 preferred stock and $1,423,657 common stock of no-par value, but calculated at a stated value of $50 a share.

Under the plan, the $394,808 of equipment trusts will remain undistributed.

Holders of refunding 4s, 5s and 6s, as well as of Indianapolis & Louisville 4s, will receive 20% of their total claims in new first mortgage 4s and 80% in second mortgage income 5s.

The claims are: 4s, $5,300,000 principal and $1,060,000 interest, total $6,360,000; 5s, $4,998,000 principal and $1,249,500 interest, total $6,247,500; 6s, $4,700,000 principal and $1,410,000 interest, total $6,110,000; Indianapolis & Louisville 4s, $1,172,000 principal and $234,400 interest, total $1,406,400.

Holders of first and general 5s and 6s, totaling with interest $12,477,366, will receive 75% of claim in new $100-par 5% preferred stock and 25% in no-par common.

The Chase loan of $750,000, plus interest of $208,000, and the RFC loan of $1,572,755 with $99,841 interest, to receive 100 in new preferred.

Notes to the Louisville & Nashvill and Southern Railway on account of advances, totaling with interest $1,120,331 to receive one share of new no-par common for each $100 of claim upon payment of assessment of $10 for each share so obtained.

Holders of present preferred and common stocks will be entitled to receive a total of 154,883 new common shares upon assessment of $15 a share in the case of preferred and $35 a share in the case of common holders.

Fixed interest charges on the first mortgage bonds would be $180,731 and contingent charges on the income bonds $1,137,452. Figures for a normal year, prepared by the committee and based on the ten years 1927-36 inclusive, show $1,328,000 annually available for interest.

Control of the road is vested in the Louisville & Nashville and the Southern Railway, which jointly own 93.4% of the common and 77.46% of the preferred stock, acquired in 1902.

Monon Plan Takes Control From L. & N., Southern

Alsop Committee Proposal Would Eliminate Present Preferred and Common

Equipment Issues Undisturbed

2-10-38

From THE WALL STREET JOURNAL *Washington Bureau*

WASHINGTON—Control of the Chicago, Indianapolis & Louisville Railway would be taken from Louisville & Nashville Railroad and Southern Railway under provisions of a new plan for reorganizing the Monon which has been prepared for submission to the Interstate Commerce Commission. The Southern and L. & N. each holds 38.8% of the Monon's outstanding preferred and 46.7% of the common shares.

The new plan, prepared by the protective committee for Monon first and general mortgage bonds, of which Reese D. Alsop, New York, is chairman, would completely eliminate all the present preferred and common stocks.

In addition to losing their present stock interest in the Monon, the Southern and L. & N., for their outstanding advances to the road, would only be allotted a small number of new shares of common stock, with each share subject to an assessment of $10.

Total Capitalization $43,319,833

The new plan provides total capitalization of $43,319,833, with fixed charges of $159,740 and contingent charges of $1,197,334.

Equipment obligations, under terms of the plan, would remain undisturbed. The following obligations would be paid off 100% in new income mortgage 4% bonds: Monon refunding fours, refunding fives, refunding sixes, Indianapolis & Louisville fours, and Indiana Stone Railroad fours. Holders of the Monon first and general fives and sixes would receive 75% of their claim in new preferred stock and 25% in common stock.

For advances to the Monon of $750,000 with interest of $207,500, Southern and L. & N. would be allotted 9,575 shares of new common stock, with each share subject to an assessment of $10.

The new capitalization would consist of $394,808 equipment obligations; $3,500,000 of new first mortgage bonds, which would be sold to provide funds for an improvement program; $21,007,425 of income 4s, $13,812,950 of $4 non-cumulative preferred stock and no par common stock, set up on the basis of $20 per share, $4,604,650.

Estimates Revenues

The Alsop committee, in a statement accompanying the plan, states that the Monon's gross revenues should average $12,600,000 annually over a reasonable period of years. This gross, after the institution of operating economies and improvements which have been recommended by the refunding bondholders committee, should produce income for interest of $1,565,000, it is stated.

The committee believes any reorganization plan should provide the funds needed for rehabilitation of the property at once or as rapidly as such improvements can be economically made, rather than to wait to install them out of possible earnings over a period of years. Accordingly, it is recommended that an issue of $3,500,000 first mortgage bonds be reserved for this purpose. The new income fours would constitute a second mortgage on the property.

The committee states that in view of the fact that the road in 1937 had no net earnings for fixed charges and in view of the general uncertainty of business and railroad earnin[gs] it believes that the necessary new mon[ey can] be raised only by the sale of a limite[d ...] of first mortgage bonds.

Monon Railroad Reorganization Plan Proposed

ICC Examiner Recommends Outcome Would Cut Capitalization by $15 Million

L. & N., Southern Hold Control

WALL ST. JL. DEC 24 1942

From THE WALL STREET JOURNAL *Washington Bureau*

WASHINGTON—A plan of reorganization for the Chicago, Indianapolis & Louisville Railway, under which the Monon may continue to be jointly controlled by the Louisville & Nashville Railroad and the Southern Railway, was proposed yesterday by Interstate Commerce Commission Examiner Milo H. Brinkley.

While L. & N. and Southern's present stock control of the Monon (they jointly own 85% of the road's outstanding common and preferred) would be wiped out in the reorganization, these roads would be given the opportunity of obtaining 50% of the new Class B stock in the reorganized company without a cash payment.

This stock, carrying practical control of the property, would be given to L. & N. and Southern in exchange for an agreement to maintain and increase, if possible, their traffic contributions to the Monon, and to lend other cooperation and support.

The terms of reorganization proposed by the I.C.C. examiner follow the general pattern established by the I.C.C. to insure "depression proof" capital structures for reorganized railroads.

Under the plan, the Monon's total capitalization would be reduced from $45,344,943 to $30,079,094, and fixed charges would be cut from $1,513,028 to $162,547 annually.

The equities of the holders of secured notes and claims, and of preferred and common stockholders have no value, the examiner found, and no provision was made for their participation in the plan.

Contingent Interest Securities

Aside from equipment certificates which are to remain undisturbed, all other outstanding securities of the Monon would be replaced by contingent interest bearing obligations.

The plan would become effective January 1, 1943.

All Monon creditors, in proceedings before the I.C.C., admitted that continued support of the L. & N. and the Southern would be necessary to insure the road's successful operation after reorganization. Normally, a road which derives a large proportion of its revenue from traffic received from connections, principally the L. & N. and the Southern, Monon's dependency on the proprietary support and cooperation of the latter two lines is apparent.

Indications are that terms of the I.C.C. examiner's plan will prove acceptable to the L. & N. and the Southern. They have admitted that their present stockholdings have no value, and have not expected to participate in the reorganization solely on the basis of those holdings.

What the Plan Proposes

The plan proposes the following treatment of existing security holders:

Equipment trust obligations of $70,000 would remain undisturbed.

Holders of refunding mortgage bonds and Indianapolis & Louisville Railway Co. mortgage bonds would receive about 33.9% of their claims in first mortgage bonds, 31.85% in second mortgage bonds, and 34.25% in Class A common stock. Public holders of first and general mortgage bonds would get about 3.23% of their claims in first mortgage bonds, 1.42% in second mortgage bonds, 1.52% in Class A common stock and 22.62% in Class B common stock.

The treatment in each instance includes provision for interest accrued to January 1, 1943, with interest receiving the same treatment as principal.

The Railroad Credit Corp. for its claim of $1,705,000 would receive about 5.96% in first mortgage bonds, 2.61% in second mortgage bonds, 2.80% in Class A common stock and 41.70% in Class B common stock. The Chase National Bank, on a total claim of $1,151,073, would get about 10.89% in first mortgage bonds, 4.77% in second mortgage bonds, 5.12% in Class A common stock and 76.23% in Class B common stock.

The plan provides for formation of a trust having three trustees in whose custody would be placed 50% of the new Class B common stock. The trustees would have power for three years to transfer the stock to the Louisville & Nashville and the Southern in exchange for a traffic agreement and other considerations. If the exchange is not entered into within 3 years the stock would be returned to holders of common stock trust certificates, given for stock previously surrendered to the stock trustees.

Exceptions to the examiner's proposed report must be filed within 45 days from today. Replies to exceptions may be filed not later than 10 days after the date upon which exceptions are due.

All of the new bonds issued in exchange for outstanding securities would be contingent interest bearing obligations. The $162,547 of fixed charges is the maximum amount allowed for interest solely on equipment obligations which may have to be issued.

The new capitalization would consist of $70,000 of undisturbed equipment obligations; $8,736,209 of first mortgage contingent interest 4¼% bonds; $7,856,949 of second mortgage 4½% contingent interest bonds; $8,440,326 of Class A common stock, and $4,975,610 of Class B common stock.

Origin of Its Traffic

During the 12-year period 1930 to 1941, inclusive, about 20.6% of the Monon's total traffic, or 36.6% of loads from all connections, was contributed by the L. & N. and Southern. The reorganization plan stipulates that in return for 50% of the Class B stock the L. & N. and Southern shall agree to maintain and increase this contribution of traffic and their cooperation and supervision of the new Monon's properties and business. In addition, the carriers would have to use their best efforts to promote the business and traffic of the Monon and to provide prompt and efficient service, including adequate schedules, personnel, equipment and facilities for the movement of traffic received from or delivered to the Monon.

The carriers also would be required to lend all reasonable aid to the new Monon in securing from the Baltimore & Ohio such schedules and other necessary arrangements as will permit the movement of traffic to the Monon through the Cincinnati gateway via the B. & O. between Cincinnati and Indianapolis. When any such route is established, the L. & N. and Southern would have to accord to it at least as favored treatment in respect to movement of traffic and adjustment and divisions of rates as it accorded to other competitive lines.

The L. & N. and Southern will have three years within which to enter this agreement. During this period 50% of the Monon's new Class B common stock would be placed in the hands of trustees and the security holders who otherwise would be entitled to receive it would be given common stock trust certicates. This stock, which would be donated to the L. & N. and Southern, would be contributed principally by holders of the Monon's rst and general mortgage bonds who have indicated a willingness to make this additional sacrifice in order to retain support of the two proprietary roads.

The Monon filed in bankruptcy in May, 1937. In June, 1939, the I.C.C. issued a report refusing to approve any plan of reorganization at that time on the ground that the road's earnings were not sufficient to support any capital structure which might be devised. The reorganization thus was postponed pending an upturn in the road's earnings.

Since that time, however, the carrier's earnings have shown a marked upturn. Last year, its earnings available for interest amounted to about $2,296,000.

Old 'Hoosier Headache' Groomed as Test Line For Super-Railroading

* * *

Poky Monon Aims at 100 m.p.h. Trains; Studies Radar; To Speed Dispatching by Radio

WAg 10-19-46

By JOHN BRIDGE

There's a railroad revolution brewing in the Indiana cornfields. The Monon (Chicago, Indianapolis & Louisville) is being groomed as a proving ground for the super-railroad of tomorrow.

For almost a century, Hoosier farmers dourly regarded the meanderings of the archaic Monon through their fields. Its Michigan City-Louisville and Chicago-Indianapolis branches linked Great Lakes industry and Ohio Valley farms. Their junction point at Monon, Indiana, was but a few miles from the nation's center of population. But the road starved in the midst of one of the richest sections of the United States.

Then last May this "99-year Hoosier headache" emerged from thirteen years of bankruptcy. The new management ordered new equipment and planned rehabilitating its entire roadway.

First Steps Toward Revolution

They found 3,000 box-cars on the line when they took over—1,300 were in such bad order they had to be scrapped. New cars were ordered and by the end of 1947 about 1,100 new cars will be in commission.

As further evidence of earnestness, Monon is devoting itself to new signaling and communication methods. It's installing a centralized traffic control system on the Louisville branch which will allow high speed operation of many trains over the single track.

Very high frequency radio sets have been acquired for speeding dispatching and to permit voice communication between hustling trains and way stations. The road is putting in teletype communication between stations and has bought radar equipment for experimental purposes.

Monon men are saying that in this decade the poky old Monon will come to be known as the "route of the fastest trains in the world." They talk of 2½ hour service between Chicago and Indianapolis by 1948. That run now takes 4½ hours on the line's "crack" train.

Thirty Hours, Coast to Coast

The Monon's new president,, John W. Barriger, III., thinks the "super-railroading" he has in mind can set a pattern for the country's great railroads. He talks in terms of 30-hour cross-country trains operating at 100 m.p.h. — averaging 70 m.p.h. terminal to terminal.

Mr. Barringer went to the Monon as America's youngest railroad president. He got there by the way of the Massachusetts Institute of Technology, the Pennsylvania Railroad, the Union Stock Yard & Transit Co., and the Toledo, Peoria & Western Railroad. He was chief examiner, railroad division, of the Reconstruction Finance Corp. and organized the diesel locomotive division of Fairbanks Morse & Co.

"The traffic will be there for the railroads —if they can provide fast, mass transportation at a price," says he.

Super-trains must travel at high speed, pulling many cars. Here's how Monon would do this:

1. Eliminate power-consuming grades and speed-restricting curves.
2. Install self-contained, electric locomotive power. (Diesel oil fuel will turn the locomotive's generators at first—coal may do the job eventually.)
3. Acquire modern rolling stock.
4. Lay the stiffest rail the road can afford. (This would save by lessening resistance of track to train.)

The Great Reconciliation

The super-road will be built on more efficient utilization of horsepower, Mr. Barriger says. A ship provides slow but cheap mass transportation by moving on a level grade, with horsepower expended only for overcoming water resistance. An airplane gives fast transportation, though expensive and in small loads; horsepower is squandered in flight. The super-road must reconcile the best in each.

Mr. Barriger concedes many roads cannot be cut down to his ideal—a water-level grade. But leveling, and digging of great tunnels in mountainous areas, can materially reduce grades.

Lines with heavy traffic (a million or more gross tons per month) should seek to attain a 0.3% grade line, he says. This grading, with no greater rise than 3 feet in 1,000 feet of track, would provide resistance met by a loaded ship moving through water.

Grades from 0.01% to 1.00% predominate on main lines throughout the country, but many roads have a grade of over 2% somewhere on their lines. A 5,000 to 6,000 horsepower locomotive can haul an 1,800-ton train on a grade of this order. On grades approxi-

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Monon Gets Six Diesel Engines; Hopes to Have All That Type This Year

 1-8-47

Special to THE WALL STREET JOURNAL

INDIANAPOLIS—The Chicago, Indianapolis & Louisville Railway Co. (Monon Route) has accepted delivery of six of the diesel freight locomotives ordered from the electromotive division of General Motors. It expects to have the railroad completely diselized by the end of this year or early 1948, John W. Barriger II, president, said.

The first diesels are two 3,000 and four 4,500 horsepower of F 3 type. Electro-motive is to deliver two more 3,000 horsepower freight locomotives before summer when Monon will proceed with plans for highspeed passenger service, Mr. Barriger said. The Monon has purchased twenty surplus army hospital cars to convert into passenger coaches, which will be put into service with new diesel passenger locomotives this spring.

In all, Monon will have 85,000 horsepower in diesel locomotives. By spring it expects to have 50,000 of this, comprised of 20 locomotives and 34 units, and the other 20 locomotives of 35,000 horsepower to be added later in the year.

Monon also has 1,125 freight cars either on order or in immediate prospect, accounting for approximately 40% of its present number, while many others are to be rehabilitated.

C. R. Osborn, general manager of electromotive division said a study made at Mr. Barriger's request showed that Monon could effect a 48% saving in fuel costs and 60% reduction in locomotive repairs by complete dieselization, while freight schedules could be stepped up from 25% to 40%.

The program of new locomotives, freight and passenger cars will mean an expenditure of $13 million, Mr. Barriger said.

Old 'Hoosier Headache' Groomed as Test Line For Super-Railroading

Continued From First Page

mating water level, the same locomotive pulls a 15,000-ton train.

Most roads—including the Monon—have a lighter traffic density than a million tons monthly and should seek a grade of about 0.5%.

Mining Methods for the Railroads

When the roads were built, manual labor made the fills and dug the cuts and tunnels. It was more economical to run around a hill, or over it, than to cut through it. But strip mining methods of earth removal and war-born developments in cutting highways and airstrips, have brought a drop in the cost of moving dirt.

For instance, the "drag-line," developed in strip mining, can take 25 to 30 cubic yards of earth at a bite, two bites a minute. With most every other cost of railroading rising, the cost of excavation alone has dropped.

These earth moving methods can also eliminate the necessity for sharp curves.

Such curves—about six degrees on most roads—were satisfactory for 70 m.p.h. trains slowing to 45 m.p.h. for them. But at higher speeds, too much energy will be lost in braking and reacceleration

The Monon's curves will be widened for 100 m.p.h. speeds.

The locomotive to pull the super-train will be a self-contained electric powerhouse on wheels. Monon plans at first to replace its steam engines with Diesel engines, converting oil into electric energy. Some deliveries are expected this year; about 41,000 horsepower are on order. Complete "Dieselization" of the Monon may cut operating costs between 70 cents and a dollar per mile.

Coal May Come Back

But Mr. Barriger believes railroads must support the coal industry, since coal makes up over 20% of all rail freight loadings. He has hopes for the coal-burning gas turbine locomotive, or for a process to turn coal into a fuel that can be used in present Diesel engines.

Ambitious for passenger service, Monon believes the railroads should capitalize on "man's basis urge to be some place else than where he is." It intends to run carloads of people from Indianapolis to Chicago for the weekend.

It is buying 20 surplus hospital cars from the Army which are being rebuilt for passenger use until lightweight streamlined equipment is available in 1948.

Mr. Barriger points out that high speed passenger service is grossing $4-per-car-mile on one road. He contrasts this with the $10-per-day gross on a freight car during the war and the $5 to $6 grossed per day during the depression years.

Monon makes no pretense of being a financial giant, capable of buying its super system within the next few years. As a matter of fact, its operations thus far in 1946—like those of many a bigger brother—have been at a net loss. Mr. Barriger confesses the idea of his improvement program in conjunction with freight rates at present levels is something he "doesn't like to contemplate." (The Interstate Commerce Commission is now considering an application from the nation's railroads for a freight rate increase.)

But Monon counts on its improvement program to pay off by reducing operating expenses, increasing traffic. By pushing modernization the road counts on continuing its recent trend, with freight car loadings a third ahead of the same time in 1945.

The company figures 490 cars a day over its tracks will yied a zero net railway operating income at present expense levels. Traffic og 530 cars will cover all fixed charges. About $2 a share on the capital stock would be earned on 600 cars a day. Traffic of 700 cars would return $5 a share. The daily average now is 530 cars and the trend is up, Mr. Barriger says. One day recently, the road ran 680 cars over its lines.

Stock Trusteeship For Monon Ends; Merger Is Urged

Report to Court Cites the Difficulty of Operating on A Small Scale

Stock Is Being Distributed

1/11/56

By a WALL STREET JOURNAL *Staff Reporter*

CHICAGO—The 10-year stock trusteeship of the Chicago, Indianapolis & Louisville (Monon) Railway Co., ended yesterday and the railroad began distributing stock certificates to private owners of the road's shares.

The stock trustees, in their final report to the U. S. District Court, recommended that Monon should be merged with some other railroad.

Under the stock trusteeship, the railroad was operated indirectly by the Federal Court. As part of a reorganization in 1946 that ended 13 years of bankruptcy, the Court named three stock trustees for a 10-year period that ended yesterday. The Court directed the trustees to operate the railroad and explore the possibilities of selling the property to another railroad. The reason for the unusual stock trusteeship was that the Court apparently believed the Monon could not operate profitably and sale could be accomplished more easily if ownership was concentrated in the hands of trustees.

Certificates Being Exchanged

During the 10 years, beneficial ownership of the railroad's equity securities was evidenced by "certificates of beneficial interest." These certificates now are being exchanged for regular stock certificates. Holders of the old certificates had no voting power and the road's 11 directors were elected by the trustees. The board in turn named company officers.

Warren W. Brown, Monon president, said "I don't see any changes whatsoever" in management resulting from the end of the trusteeship.

Monon has outstanding 343,714 shares of class A stock and 195,746 shares of class B. All shares will have one vote except that the class B stock may elect a minimum of three directors if holders of this class decide to pool their votes.

The stock trustees, in their final report to the Court, said that throughout the trusteeship they explored the possibilities of merger or a protective affiliation through partial ownership of Monon stock by some other carrier. "The net result of these efforts" to obtain an agreement advantageous to Monon stockholders "was virtually nil," the report said. The most recent trustees were Homer J. Livingston, president of First National Bank of Chicago; Arthur T. Leonard, president of City National Bank & Trust Co., of Chicago, and John W. Barriger, formerly Monon president who now is a vice president of Chicago, Rock Island & Pacific Railroad.

Small Scale Operation

The trustees said, however, "the difficulties of small scale operation in the railroad business are well recognized and Monon's isolated and unsupported position is somewhat unique and not always comfortable. Consolidation with a complementary railroad system, or even with a partially competing system, could be highly advantageous to both parties and should ultimately be achieved."

The trustees did not disclose what other railroads they had talked with about merger. One of the roads, however, is known to be Chicago & Eastern Illinois. C. M. Roddewig, C. & E. I. president, says his road had "a number of talks" with Monon but no agreement resulted. Mr. Roddewig adds his road still would be interested "if we could make a good deal. We would be glad to talk with them."

Another factor in Monon was Ben W. Heineman, who is chairman of the executive committee of Minneapolis & St. Louis Railway. Mr. Heineman and associates owned 73,000 shares of Monon stock until early last month. The group sold its Monon interests to several New York brokerage firms which are reported to hold about 25% of all outstanding Monon stock.

No Trunk Connections

Monon operates 541 route miles from Chicago and Michigan City, Ind., in the North to Indianapolis and Louisville on the South. The railroad, the trustees said, is an important North-South link but it is at a disadvantage because it generally does not have direct connections with other trunk lines. Also, it traverses a largely rural area and does not enter Chicago or Louisville over its own tracks.

While Monon showed a net loss of more than $1 million in 1946, it turned in a profit of $700,000 in 1948 and of more than $1 million each year since 1950. Profits for 1955, the trustees' report said, will be at a record high of $1,400,000 or more. "All indications are that volume will continue good for most if not all" of 1956, they said.

Improvements on the road, which was in poor physical condition in 1946, have cost more than $26 million over the past 10 years.